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FISCAL IMPACT STATEMENT

LS 6369 **NOTE PREPARED:** Feb 7, 2005
BILL NUMBER: SB 475 **BILL AMENDED:**

SUBJECT: Property tax assessment of mobile homes.

FIRST AUTHOR: Sen. Simpson **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: *Mobile Home Valuation:* This bill requires the Department of Local Government Finance (DLGF) to adopt rules for the property tax valuation of a mobile home (other than a rental unit) using certain prescribed standards.

Mobile Home Rentals: The bill requires the use of the gross rent multiplier method for the valuation of a mobile home rental unit.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value base caused by the treatment of mobile homes in this bill will reduce the property tax revenue for these two funds.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Mobile Home Rentals:* The current statute regarding the assessment of rental properties requires the use of the lower of the cost, sales, or income capitalization assessment methods. This same statute states that the gross rent multiplier method is the preferred assessment method for real property rentals and mobile homes. This bill clarifies that the gross rent multiplier method is the preferred assessment method for real property rentals and mobile home rentals.

Mobile Home Valuation: The current DLGF real property assessment rule contains cost and depreciation schedules for use in the assessment of mobile homes. A mobile home is assessed as real property if either the homeowner owns the land under the home or if the home is on a permanent foundation. All others are assessed as personal property. Most mobile homes are assessed as personal property. The schedules in the real property rule are used to assess both real and personal property mobile homes.

This bill would require the DLGF's rules to provide that mobile homes, other than rentals, are to be valued at the lowest valuation obtained from the following three methods: (1) the NADA or similar valuation guide; (2) comparable sales; or (3) the value produced by any other method prescribed by the DLGF.

Some counties are already using the valuation guides (commonly referred to as the "blue book) in assessing mobile homes. Some counties allow the blue book value to be used as evidence in an appeal. Other counties adhere strictly to the schedules in the real property assessment manual and do not consider blue book values at all.

It is generally understood that the blue book values are lower than those produced by the assessment manual. While the assessments of some homes would not change, others would be reduced under the blue book. It is unlikely that any home values would increase. Estimates suggest that, on average, the blue book value on mobile homes is at least 15% lower than the value under the assessment rule.

This means that in counties where the blue book value is not already being used, the total value of mobile homes could decline by at least 15%. Normally, a reduction in assessed value would shift taxes from those receiving the reduced assessments to all other taxpayers through an increased tax rate. However, mobile home assessments are treated differently than all other property assessments.

Assessments on personal property mobile homes are not considered part of the certified value that is used to compute tax rates. This has to do with the fact that the assessment date for these homes is January 15th with taxes paid in May and November of the same year. Tax rates must be certified by February 15th, leaving little or no time to make the assessments and include them in the AV base.

The property tax revenue generated by mobile homes may be used to offset shortages in levy collections. While the tax rate would not be directly affected by an assessment reduction for mobile homes, the revenue received by the local units would be reduced. One exception to this explanation is the case where a unit collects more than 100% of its tax levy. In this case, the overage is used to reduce the following year's levy and tax rate through the unit's levy excess fund. So, it is possible, indirectly, for a reduction in mobile home-generated tax collections in one year to affect the following year's tax rate. The actual impact of this provision is not currently available. There are approximately 90,000 to 100,000 mobile homes in the state.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Township and county assessors.

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